

ALGONAC HOUSING COMMISSION
ALGONAC, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Algonac Housing Commission	County St. Clair
Fiscal Year End March 31, 2006	Opinion Date September 6, 2006	Date Audit Report Submitted to State September 8, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal Control and Compliance Report	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Authorizing CRA Signature 		Printed Name Barry E. Gaudette, CPA	Zip 49686
		License Number 11050	

ALGONAC HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Algonac Housing Commission
Algonac, Michigan

I have audited the accompanying financial statements of the business-type activities of the Algonac Housing Commission, Michigan, a component unit of the City of Algonac, as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Algonac Housing Commission, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of March 31, 2006.

Algonac Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2006, on my consideration of Algonac Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Algonac Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Algonac Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Sandy E. Zandberg, CPA, PC

September 6, 2006

ALGONAC HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
March 31, 2006
=====

Algonac Housing Commission, created in 1972, by the City of Algonac, provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Algonac Housing Commission consists of two programs. The first is owned housing, consisting of 70 units of public housing and the second is the capital funding program. Algonac Housing Commission had total revenues of \$361,459 that includes \$174,178 in rental payments and \$176,948 in federal assistance. Total operating expenses were \$476,598, that includes \$136,761 in administrative expenses, \$65,449 in utilities, \$120,308 in ordinary maintenance expenses, and \$114,515 in depreciation expense. Total revenues decreased by \$22,764 from the prior year and operating expenses decreased by \$25,308 from the prior year for a net increase of \$2,544, due in part by a decrease in wages.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$1,323,374. The Housing Commission's total net assets decreased by \$115,139 from the prior year. The decrease is attributable in part to the depreciation expense of \$114,515 being more than the \$14,487 in capital outlays.

Total assets of the Housing Commission were \$1,402,046 including \$94,677 of current assets and \$1,307,369 of net property, plant, and equipment assets. The Housing Commission had current liabilities of \$48,136. Assets decreased, in part, by \$112,715 from the prior year due to the depreciation expense of \$114,515 exceeding the additions to property and equipment of \$14,487.

The financial condition of the Housing Commission continues to improve.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.

- * Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Commission's current position

I believe our financial condition has and will continue to improve. Our overall cost for wages decreased as did our need to depend on capital funds for everyday operations.

Capital funds did pay for carpet replacement in the first floor hallways and for a large quantity of mulch for the playground. In this next fiscal year we will replace kitchen cabinets in more than one apartment, replace carpets in apartments where needed, and purchase a new computer operating system.

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations, other than FYE March 2007 should show significant improvements in our financial standing and the former executive director was terminated for cause and one maintenance position was eliminated. This will eliminate most of the need to use capital funds to pay everyday expenditures.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Nelson Stringer, Jr., Executive Director
1205 Saint Clair River Drive
Algonac, Michigan 48001-1471

Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 94,677	\$ 107,365	\$ (12,688)
Property and equipment	<u>1,307,369</u>	<u>1,407,396</u>	<u>(100,027)</u>
Total assets	<u>\$1,402,046</u>	<u>\$1,514,761</u>	<u>\$ (112,715)</u>
Current liabilities	\$ 48,136	\$ 48,568	\$ (432)
Noncurrent liabilities	<u>30,536</u>	<u>27,680</u>	<u>2,856</u>
Total liabilities	<u>78,672</u>	<u>76,248</u>	<u>2,424</u>
Net assets:			
Invested in capital assets	1,307,369	1,407,396	(100,027)
Unrestricted net assets	<u>16,005</u>	<u>31,117</u>	<u>(15,112)</u>
Total net assets	<u>1,323,374</u>	<u>1,438,513</u>	<u>(115,139)</u>
Total liabilities and net assets	<u>\$1,402,046</u>	<u>\$1,514,761</u>	<u>\$ (112,715)</u>

Financial Analysis of the Housing Commission (continued)

The following table summarizes the statement of activities of the Housing Commission for the years ended March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 174,178	\$ 172,147	\$ 2,031
Nondwelling rent	<u>2,438</u>	<u>264</u>	<u>2,174</u>
Total operating revenues	<u>176,616</u>	<u>172,411</u>	<u>4,205</u>
Operating expenses:			
Administration	136,761	153,911	(17,150)
Tenant services	1,018	680	338
Utilities	65,449	61,505	3,944
Ordinary maintenance and operation	120,308	139,082	(18,774)
General expenses	36,122	33,332	2,790
Extraordinary maintenance	2,425	6,649	(4,224)
Depreciation	<u>114,515</u>	<u>106,747</u>	<u>7,768</u>
Total operating expenses	<u>476,598</u>	<u>501,906</u>	<u>(25,308)</u>
Operating income(loss)	<u>(299,982)</u>	<u>(329,495)</u>	<u>29,513</u>
Non-operating revenue:			
Interest income	1,577	1,307	270
Other income	5,818	4,166	1,652
Gain on sale of fixed assets	500		500
Operating grants	166,308	174,221	(7,913)
Capital grants	<u>10,640</u>	<u>32,118</u>	<u>(21,478)</u>
Total nonoperating revenue	<u>184,843</u>	<u>211,812</u>	<u>(26,969)</u>
Change in Net Assets	<u><u>\$ (115,139)</u></u>	<u><u>\$ (117,683)</u></u>	<u><u>\$ 2,544</u></u>

FINANCIAL STATEMENTS

ALGONAC HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2006
=====

ASSETS

Current Assets:

Cash	\$ 69,295
Accounts receivable-dwelling rents	3,603
Allowance for doubtful accounts	(535)
Investments-unrestricted	21,077
Prepaid expenses	<u>1,237</u>

Total Current Assets	<u>94,677</u>
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Property and Equipment:

Land	35,500
Buildings	3,902,397
Equipment	176,422
Building improvements	<u>160,333</u>
	4,274,652
Less: accumulated depreciation	<u>(2,967,283)</u>

Net Property and Equipment	<u>1,307,369</u>
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Total Assets	<u><u>\$ 1,402,046</u></u>
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See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2006
=====

LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 17,963
Tenant security deposit liability	16,186
Accrued expenses	13,453
Deferred revenues	<u>534</u>

Total Current Liabilities 48,136

Noncurrent liabilities:

Accrued compensated absences	<u>30,536</u>
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Total liabilities 78,672

Net Assets:

Invested in capital assets	1,307,369
Unrestricted net assets	<u>16,005</u>

Total Net Assets 1,323,374

Total Liabilities and Net Assets \$ 1,402,046

See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006
=====

OPERATING REVENUES:

Dwelling rent	\$ 174,178
Nondwelling rent	<u>2,438</u>

Total operating revenues	<u>176,616</u>
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OPERATING EXPENSES:

Administration	136,761
Tenant services	1,018
Utilities	65,449
Ordinary maintenance and operation	120,308
General expenses	36,122
Extraordinary maintenance	2,425
Depreciation	<u>114,515</u>

Total operating expenses	<u>476,598</u>
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Operating income(loss)	<u>(299,982)</u>
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NONOPERATING REVENUES:

Investment interest income	1,577
Other income	5,818
Gain on sale of fixed assets	500
Operating grants	166,308
Capital grants	<u>10,640</u>

Total nonoperating revenues	<u>184,843</u>
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Change in net assets	(115,139)
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Net assets, beginning	<u>1,438,513</u>
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Net assets, ending	<u>\$ 1,323,374</u>
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See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2006
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 175,045
Cash payments to other suppliers of goods and services	(134,704)
Cash payments to employees for services	(205,555)
Cash payments for in lieu of taxes	<u>(9,545)</u>
Net cash (used) by operating activities	<u>(174,759)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

Tenant security deposits	(615)
Operating grants	179,308
Other revenue	<u>5,818</u>
Net cash provided by noncapital financing activities	<u>184,511</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Capital grants	10,640
Payments for capital acquisitions	<u>(14,487)</u>
Net cash (used) by capital and related financing activities	<u>(3,847)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned on investments	(671)
Gain on sale of fixed assets	500
Receipts of interest and dividends	<u>1,577</u>
Net cash provided by investing activities	<u>1,406</u>

Net increase(decrease) in cash	7,311
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Cash, beginning	<u>61,984</u>
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Cash, ending	<u>\$ 69,295</u>
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ALGONAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2006
=====

RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:

Cash	\$ 69,295
Cash and cash equivalents per balance sheet	<u>\$ 69,295</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(299,982)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	114,515
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(1,820)
Prepaid expenses	9,489
Increase (decrease) in liabilities:	
Accounts payable	(3,050)
Accrued wages/payroll taxes	(11)
Accrued compensated absences	5,830
Accrued payments in lieu of taxes	21
Deferred revenues	<u>249</u>
Net cash (used) by operating activities	<u>\$(174,759)</u>

See notes to financial statements

ALGONAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2006
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Algonac Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Algonac Housing Commission is a component unit of the City of Algonac, a Michigan Home Rule City. The Housing Commission is a Public Housing Agency created by the City of Algonac on April 20, 1972, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Algonac Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract, the Housing Commission constructed, maintains and operates 70 units of subsidized housing in the City of Algonac, Michigan.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set

of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Algonac Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$100 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	10-15 years
Furniture, equipment and machinery - administration	5-7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts

expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave, unused vacation days can be carried over at the end of the calendar year. Upon termination of employment with the Housing Commission, an employee shall be paid for any accumulated vacation days at the employee's most current rate of pay.
- * Sick leave, each regular full-time employee shall accumulate sick leave at the rate of one(1) day for each month of service. There is no carryover of sick leave.
- * Personal leave, all regular full-time employees shall be granted two(2) personal leave days per year beginning April 1st each year.

The amount of accumulated benefits at March 31, 2006, was \$38,170, and is recorded as a liability in the applicable funds.

Post Employment Benefits

There are no post employment benefits for Housing Commission retirees.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$69,145 and the bank balance was \$69,163 of which \$69,163 was covered by federal depository insurance. There also was a petty cash fund of \$150.

Investments

The Housing Commission had the following investments at Seaway Bank as March 31, 2006:

Certificate of Deposit (Acct. #994178)	\$ 5,269
Certificate of Deposit (Acct. #994194)	5,269
Certificate of Deposit (Acct. #994202)	5,269
Certificate of Deposit (Acct. #994186)	<u>5,270</u>
Total	<u>\$21,077</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1. U.S. Treasury Notes - 100%; or
2. U.S. Treasury Notes and/or Bonds - 75% and
3. Mortgage Backed Securities - 25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution

shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$	150
Carrying amount of deposits		69,145
Investments		<u>21,077</u>
Total	\$	<u><u>90,372</u></u>
Cash and cash equivalents:		
Enterprise activities	\$	90,390
Enterprise activities - deposits in transit		-
Enterprise activities - checks written in excess of deposits		<u>(18)</u>
Total	\$	<u><u>90,372</u></u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2006, the receivables were \$3,603 with \$535 estimated as uncollectible. Bad debt expense was \$3,926.

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There were no interfund receivables and payables as of March 31, 2006.

There was an individual fund operating transfer during the fiscal year of \$76,194 from the capital fund program to the low rent program.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balance</u> <u>03/31/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/06</u>
Low Rent Program				
Land	\$ 35,500	\$	\$	\$ 35,500
Buildings	3,902,397			3,902,397
Furniture, equip. & machinery - dwellings	107,899			107,899
Furniture, equip. & machinery - administration	59,259	3,847		63,106
Building improvements	<u>122,992</u>	<u>26,654</u>		<u>149,646</u>
	4,228,047	<u>\$ 30,501</u>	<u>\$</u>	4,258,548
Less accumulated depreciation	<u>(2,852,651)</u>	<u>\$(114,231)</u>	<u>\$</u>	<u>(2,966,882)</u>
Total	<u>\$ 1,375,396</u>			<u>\$ 1,291,666</u>
Capital Fund Program				
Furniture, equip. & machinery - administration	\$ 4,047	\$ 1,370	\$	\$ 5,417
Building improvements	<u>28,071</u>		<u>17,384</u>	<u>10,687</u>
	32,118	<u>\$ 1,370</u>	<u>\$ 17,384</u>	16,104
Less accumulated depreciation	<u>(118)</u>	<u>\$(283)</u>	<u>\$</u>	<u>(401)</u>
Total	<u>\$ 32,000</u>			<u>\$ 15,703</u>
Combined Totals				<u><u>\$ 1,307,369</u></u>

NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning (contributed capital)	\$ 1,407,396
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>(100,027)</u>
Balance, ending	<u><u>\$ 1,307,369</u></u>

NOTE 6: OTHER INFORMATION

A. Pension Plan

The Housing Commission does not have a pension plan.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended March 31, 2006, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**E. Prior Period Adjustments, Equity Transfers and
Correction of Errors**

Low Rent Program

Transfer CFP 2003 to Low Rent \$ 26,654

Capital Fund Program

Transfer CFP 2003 to Low Rent \$ (26,654)

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2006, was as follows:

	Low Rent Program	Capital Fund Program
Condensed Statement of Net Assets		
Current assets	\$ 94,677	\$
Property and equipment	1,291,666	15,703
Total assets	<u>\$ 1,386,343</u>	<u>\$ 15,703</u>
Current liabilities	\$ 48,136	\$
Noncurrent liabilities	30,536	
Total liabilities	<u>78,672</u>	
Net assets:		
Invested in capital assets	1,291,666	15,703
Unrestricted net assets	16,005	
Total net assets	<u>1,307,671</u>	<u>15,703</u>
Total liabilities and net assets	<u>\$ 1,386,343</u>	<u>\$ 15,703</u>
Condensed Statement of Activities		
Dwelling rent	\$ 174,178	\$
Nondwelling rent	2,438	
Depreciation	(114,232)	(283)
Other operating expenses	(362,083)	
Operating(loss)	<u>(299,699)</u>	<u>(283)</u>
Nonoperating revenues:		
Investment interest income	1,577	
Other income	5,818	
Gain on sale of fixed assets	500	
Operating transfers in (out)	76,194	(76,194)
Operating grants	90,114	76,194
Capital grants		10,640
Change in net assets	<u>(125,496)</u>	<u>10,357</u>
Prior period adjustments, equity transfers and correction of errors	26,654	(26,654)
Beginning net assets	<u>1,406,513</u>	<u>32,000</u>
Ending net assets	<u>\$ 1,307,671</u>	<u>\$ 15,703</u>

	Low Rent Program	Capital Fund Program
Condensed Statement of Cash Flows		
Net cash provided(used) by:		
Operating activities	\$ (174,759)	\$
Noncapital financing activities	184,511	
Capital and related financing activities	(3,847)	
Investing activities	<u>1,406</u>	<u> </u>
Net increase(decrease)	7,311	
Beginning cash and cash equivalents	<u>61,984</u>	<u> </u>
Ending cash and cash equivalents	<u>\$ 69,295</u>	<u>\$</u>

NOTE 8: SUBSEQUENT EVENTS

On April 10, 2006, the Executive Director, Cindy Kirkpatrick, was placed on paid administrative leave and Nelson Stringer, Jr. was named the Interim Director of the Housing Commission. On June 20, 2006, the Executive Director, Cindy Kirkpatrick, was placed on unpaid administrative leave. On August 29, 2006, the Housing Commission terminated the employment of Cindy Kirkpatrick, Executive Director of the Algonac Housing Commission. On September 6, 2006, the Housing Commission Board, approved Nelson Stringer, Jr. as the Executive Director of the Housing Commission.

SUPPLEMENTARY INFORMATION

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2006
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 69,295	\$
Accounts receivable-dwelling rents	3,603	
Allowance for doubtful accounts- dwelling rents	(535)	
Investments-unrestricted	21,077	
Prepaid expenses and other assets	<u>1,237</u>	
Total current assets	<u>94,677</u>	
Property and equipment:		
Land	35,500	
Buildings	3,902,397	
Equipment	171,005	5,417
Building improvements	<u>149,646</u>	<u>10,687</u>
	4,258,548	16,104
Less accumulated depreciation	<u>(2,966,882)</u>	<u>(401)</u>
Net property and equipment	<u>1,291,666</u>	<u>15,703</u>
Total Assets	<u>\$ 1,386,343</u>	<u>\$ 15,703</u>

Totals

\$ 69,295
3,603

(535)
21,077
1,237

94,677

35,500
3,902,397
176,422
160,333
4,274,652
(2,967,283)

1,307,369

\$ 1,402,046

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2006

=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 17,963	\$
Tenant security deposit liability	16,186	
Accrued expenses	13,453	
Deferred revenues	<u>534</u>	<u> </u>
Total current liabilities	48,136	
Noncurrent liabilities:		
Accrued compensated absences	<u>30,536</u>	<u> </u>
Total liabilities	<u>78,672</u>	<u> </u>
Net assets:		
Invested in capital assets	1,291,666	15,703
Unrestricted net assets	<u>16,005</u>	<u> </u>
Total net assets	<u>1,307,671</u>	<u>15,703</u>
Total Liabilities and Net Assets	<u>\$1,386,343</u>	<u>\$ 15,703</u>

Totals

\$ 17,963
16,186
13,453
534

48,136

30,536

78,672

1,307,369
16,005

1,323,374

\$ 1,402,046

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
Year Ended March 31, 2006
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 174,178	\$
Nondwelling rent	<u>2,438</u>	<u> </u>
Total operating revenues	<u>176,616</u>	<u> </u>
OPERATING EXPENSES:		
Administration	136,761	
Tenant services	1,018	
Utilities	65,449	
Ordinary maintenance and operation	120,308	
General expenses	36,122	
Extraordinary maintenance	2,425	
Depreciation	<u>114,232</u>	<u>283</u>
Total operating expenses	<u>476,315</u>	<u>283</u>
Operating income(loss)	<u>(299,699)</u>	<u>(283)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment interest income	1,577	
Other income	5,818	
Gain/loss on sale of fixed assets	500	
Operating transfers in (out)	76,194	(76,194)
Operating grants	90,114	76,194
Capital grants	<u> </u>	<u>10,640</u>
Total nonoperating revenues (expenses)	<u>174,203</u>	<u>10,640</u>
Change in net assets	(125,496)	10,357
Prior period adjustments, equity transfers and correction of errors	26,654	(26,654)
Net assets, beginning	<u>1,406,513</u>	<u>32,000</u>
Net assets, ending	<u><u>\$1,307,671</u></u>	<u><u>\$ 15,703</u></u>

Totals

\$ 174,178
2,438

176,616

136,761
1,018
65,449
120,308
36,122
2,425
114,515

476,598

(299,982)

1,577
5,818
500

166,308
10,640

184,843

(115,139)

1,438,513

\$ 1,323,374

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2006
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 175,045	\$
Cash payments to other suppliers of goods and services	(134,704)	
Cash payments to employees for services	(205,555)	
Cash payments for in lieu of taxes	<u>(9,545)</u>	
Net cash (used) by operating activities	<u>(174,759)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(615)	
Operating transfers in (out)	76,194	(76,194)
Operating grants	103,114	76,194
Other revenue	<u>5,818</u>	
Net cash provided by noncapital financing activities	<u>184,511</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		10,640
Payments for capital acquisitions	<u>(3,847)</u>	<u>(10,640)</u>
Net cash (used) by capital and related financing activities	<u>(3,847)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	(671)	
Gain on sale of fixed assets	500	
Receipts of interest and dividends	<u>1,577</u>	
Net cash provided by investing activities	<u>1,406</u>	
Net increase(decrease) in cash	7,311	
Cash, beginning	<u>61,984</u>	
Cash, ending	<u><u>\$ 69,295</u></u>	<u><u>\$</u></u>

Totals

\$ 175,045

(134,704)

(205,555)

(9,545)

(174,759)

(615)

179,308

5,818

184,511

10,640

(14,487)

(3,847)

(671)

500

1,577

1,406

7,311

61,984

\$ 69,295

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2006
=====

	Low Rent	Capital
	Program	Fund
	Program	Program
	<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF
CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ <u>69,295</u>	\$ _____
Cash and cash equivalents per balance sheet	\$ <u><u>69,295</u></u>	\$ <u><u> </u></u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$ (299,699)	\$ (283)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	114,232	283
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(1,820)	
Prepaid expenses	9,489	
Increase (decrease) in liabilities:		
Accounts payable	(3,050)	
Accrued wages/payroll taxes	(11)	
Accrued compensated absences	5,830	
Accrued payments in lieu of taxes	21	
Deferred revenues	<u>249</u>	
Net cash (used) by operating activities	<u>\$ (174,759)</u>	<u>\$ _____</u>

Totals

\$ 69,295

\$ 69,295

\$ (299,982)

114,515

(1,820)
9,489

(3,050)
(11)
5,830

21
249

\$ (174,759)

ALGONAC HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2006
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	U.S. Department of HUD		
	Public and Indian Housing Nonmajor - Direct Program		
2006	Low Rent Public Housing	14.850	\$ 90,114
	Public and Indian Housing Nonmajor - Direct Program		
2006	Capital Fund Program	14.872	<u>86,834</u>
	Total		<u>\$ 176,948</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ALGONAC HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2006

=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 69,295	\$
100	Total cash	<u>69,295</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	3,603	
126.1	Allowance for doubtful accounts- dwelling rent	(535)	
120	Total receivables, net of allowance for doubtful accounts	<u>3,068</u>	
131	Investments-unrestricted	<u>21,077</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>1,237</u>	
	Total other current assets	<u>1,237</u>	
150	Total current assets	<u>94,677</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	35,500	
162	Buildings	3,902,397	
163	Furn, equip & mach-dwellings	107,899	
164	Furn, equip & mach-admin.	63,106	5,417
165	Building improvements	149,646	10,687
166	Accumulated depreciation	<u>(2,966,882)</u>	<u>(401)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,291,666</u>	<u>15,703</u>
180	Total noncurrent assets	<u>1,291,666</u>	<u>15,703</u>
190	Total Assets	<u>\$ 1,386,343</u>	<u>\$ 15,703</u>

Totals

\$ 69,295

69,295

3,603

(535)

3,068

21,077

1,237

1,237

94,677

35,500

3,902,397

107,899

68,523

160,333

(2,967,283)

1,307,369

1,307,369

\$ 1,402,046

ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2006
=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 8,397	\$
321	Accrued wage/payroll taxes payable	5,819	
322	Accrued compensated absences-current portion	7,634	
333	Accounts payable-other government	9,566	
341	Tenant security deposits	16,186	
342	Deferred revenues	<u>534</u>	
310	Total current liabilities	48,136	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>30,536</u>	
300	Total liabilities	<u>78,672</u>	
	Equity:		
508.1	Invested in capital assets	<u>1,291,666</u>	<u>15,703</u>
508	Total equity	1,291,666	15,703
	Net Assets:		
512.1	Unrestricted net assets	<u>16,005</u>	
513	Total equity/net assets	<u>1,307,671</u>	<u>15,703</u>
600	Total Liabilities and Equity/Net Assets	<u>\$1,386,343</u>	<u>\$ 15,703</u>

Totals

\$ 8,397

5,819

7,634

9,566

16,186

534

48,136

30,536

78,672

1,307,369

1,307,369

16,005

1,323,374

\$ 1,402,046

ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 174,178	\$
704	Tenant revenue-other	<u>2,438</u>	
705	Total tenant revenue	176,616	
706	HUD PHA grants	90,114	76,194
706.1	Capital grants		10,640
711	Investment income-unrestricted	1,577	
715	Other revenue	5,818	
716	Gain/loss on sale of fixed assets	<u>500</u>	
700	Total revenue	<u>274,625</u>	<u>86,834</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	76,826	
912	Auditing fees	2,500	
914	Compensated absences	5,830	
915	Employee benefit contributions-adm.	31,841	
916	Other operating-administrative	19,764	
	Tenant Services:		
924	Tenant services-other	1,018	
	Utilities:		
931	Water	13,174	
932	Electricity	41,557	
933	Gas	10,718	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	68,640	
942	Ordinary maint & oper-mat'ls & other	5,896	
943	Ordinary maint & oper-contract costs	17,535	
945	Employee benefit contributions	28,237	
	General expenses:		
961	Insurance premiums	22,630	
963	Payments in lieu of taxes	9,566	
964	Bad debt-tenant rents	<u>3,926</u>	
969	Total operating expenses	<u>359,658</u>	
970	Excess operating revenue over operating expenses	<u>(85,033)</u>	<u>86,834</u>

	<u>Totals</u>
\$	174,178
	<u>2,438</u>
	176,616
	166,308
	10,640
	1,577
	5,818
	<u>500</u>
	<u>361,459</u>

76,826
2,500
5,830
31,841
19,764

1,018

13,174
41,557
10,718

68,640
5,896
17,535
28,237

22,630
9,566
<u>3,926</u>

<u>359,658</u>

<u>1,801</u>

ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2006
=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	2,425	
974	Depreciation expense	<u>114,232</u>	<u>283</u>
	Total other expenses	<u>116,657</u>	<u>283</u>
900	Total expenses	<u>476,315</u>	<u>283</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in	76,194	
1002	Operating transfers out		<u>(76,194)</u>
	Total other financing sources(uses)	<u>76,194</u>	<u>(76,194)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(125,496)	10,357
1104	Prior period adjustments, equity transfers and correction of errors	26,654	(26,654)
1103	Beginning Net Assets	<u>1,406,513</u>	<u>32,000</u>
	Ending Net Assets	<u>\$ 1,307,671</u>	<u>\$ 15,703</u>

Totals

2,425
114,515

116,940

476,598

76,194
(76,194)

(115,139)

1,438,513

\$ 1,323,374

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Algonac Housing Commission
Algonac, Michigan

I have audited the financial statements of the business-type activities of the Algonac Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 6, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Algonac Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 6, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Anderson, CPA, PC

September 6, 2006

ALGONAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2006
=====

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
5. Identification of nonmajor programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 90,114	No	O	N/A	N/A
14.872	Capital Fund Program	<u>86,834</u>	No	O	N/A	N/A
	Total	<u>\$ 176,948</u>				

6. The threshold for distinguishing Types A and B programs was \$300,000.
7. The Housing Commission was determined to be a low-risk auditee.

ALGONAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2006

=====

B. Financial Statement Findings	None
C. Federal Award Findings and Questioned Costs	None

ALGONAC HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2006
=====

NONE

ALGONAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2006

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<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM

There were no adjusting journal entries necessary.

ALGONAC HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2006

ALGONAC HOUSING COMMISSION
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MARCH 31, 2006

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Algonac Housing Commission

I have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated September 6, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries, and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 5).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bary E. Standell, CPA

September 6, 2006

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Algonac Housing Commission

I have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated September 6, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

September 6, 2006

ALGONAC HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
March 31, 2006
=====

Laundromat Collections

The laundromat machines coins are collected weekly and deposited. The Executive Director collects the money.

I recommend that the Housing Commission consider having another staff member accompany the Executive Director. The staff members should take turns making the deposit. If this is not convenient, the Housing Commission could have a different staff member then the Executive Director, collect the monies on alternating weeks.

Tenant Services

The Housing Commission collects \$25 per tenant annually from HUD to spend on the tenants to encourage their participation in activities. During the fiscal year ending March 31, 2006, the Housing Commission only spent \$1,018 of the \$1,750 that should have been spent.

I recommend that the Housing Commission review the HUD required procedures on how to properly spend this grant money.

Tenant Accounts Receivable

As of March 31, 2006 the tenant accounts receivable balance was \$3,603 or \$51.47 per tenant average. HUD uses a guideline of \$15 per tenant.

I recommend the Housing Commission evict the tenants timely to correct this problem.

Petty Cash

The Housing Commission reimburses the petty cash fund with checks that are even dollar amounts and there is not any documentation to support the reimbursement.

I recommend the petty cash fund be reimbursed on an imprest basis and that each expenditure be supported by a receipt.

ALGONAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2006

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no adjusting journal entries necessary.